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Bureau of Business and

OREGON BUSINESS REVIEW

BUREAU OF BUSINESS RESEARCH, SCHOOL OF BUSINESS ADMINISTRATION
UNIVERSITY OF OREGON, EUGENE, OREGON
WESLEY C. BALLAINE, EDITOR

VOL. V, NO. 6 JUNE 1946

THE DEVELOPMENT AND USE OF FIELD WAREHOUSING

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It is quite remarkable that the term "field warehousing" is not better known and understood in Oregon, especially in view of the extensive use of this method of financing upon inventories in this state for the past two decades. From a legal standpoint, there is no difference between a field warehouse and a public warehouse. Warehouse receipts issued by a field warehouse have the same validity and effect as warehouse receipts issued by a public warehouse. The Uniform Warehouse Receipts Act applies with equal force to receipts issued by a field warehouse and to those issued by a public warehouse. What, then, is the difference between a field warehouse and a public warehouse?

The storing of commodities by a warehouseman and the issuing of warehouse receipts is as old as industry itself. With modern industrial development, however, the need for such a function has increased. About 1906, the National Conference of Commissioners on Uniform State Laws recommended for adoption what has since been known as the Uniform Warehouse Receipts Act. The act was adopted by the legislatures of the states of New York, Illinois, Massachusetts, and Connecticut in 1907. Since then it has been adopted by every state in the Union. It was passed by the Oregon Legislature in 1913. This act regulates and governs the function and responsibility of a warehouseman to the storer of commodities in his warehouse.

As industry progressed, it was necessary for manufacturers, wholesalers, and jobbers to carry larger inventories. This required additional capital. It was only logical that these inventories should be used as the basis for raising such capital: lending institutions loaned money to industry upon the lender being given adequate security in the form of warehouse receipts representing the inventories. As long as inventories were comparatively small, it was possible for the borrower to transport the inventory to the public warehouse, where warehouse receipts representing the inventory could be obtained. About 1910 this became impractical, and we began moving the warehouse to the plant of the borrower, rather than moving the inventory to the public warehouse. This practice is now known as "field warehousing." Field warehousing is accomplished through the following procedure:

(1) The warehouseman leases the property upon which the inventory is to be stored.

(2) The warehouseman posts adequate signs, giving

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PACIFIC NORTHWEST HORIZONS IN THE POSTWAR WORLD*

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How many of us fully realize what a privilege it is to live on the Pacific Coast—one of the few areas in the world which is actively looking ahead to greater development of its resources and opportunities for its citizens. On the other hand, how many of us appreciate the responsibilities entailed by the development of these opportunities.

The West has always been the expanding horizon for our nation and for many peoples of the world. Waves of migrants from every state in the Union and from foreign lands have moved west with hopes of a better life. For a century the Pacific Coast has grown much more rapidly than the nation. Previous large westward movements of peoples appear small in comparison with the recent and extremely large movements to Pacific Coast war plants.

The growth of the western country has occurred in a somewhat spasmodic, boomlike series of expansions. Gold, lumber, fisheries, petroleum, the fabulous attractions of southern California—all these did not occur in a smooth progression but rather in a series of almost precipitous incidents. Even in recent years these waves have been noticeable. In the period between 1935 and 1940 the in-migration to Pacific Coast states was around 800,000, of which number about four-fifths moved to California. The recent war movement westward has been estimated at over 2 million, again principally to California.

In the forty-five years which have elapsed since the turn of the century, the population of the three Pacific Coast states has increased from a total of about 2.5 million to well over 11 million—a fivefold increase in slightly less than five decades.

The trend this time does not seem to be a halting one—it does not falter. Government officials estimate that the three Pacific Coast states will have a population of almost

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* Delivered as the annual Phi Beta Kappa-Sigma Xi address at the University of Oregon, May 17, 1946.

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PACIFIC NORTHWEST HORIZONS IN THE POSTWAR WORLD

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15 million people by 1960. Every study made of members of the armed forces who spent some time on the West Coast has shown a desire on the part of the majority to return to the West Coast. Public polls throughout the nation show that its eyes are "West." In large measure, we of the West Coast may see the continuation of what has been—at least in numbers—the greatest population movement of our national history.

What a magnificent challenge to all—those of us already here and those who are yet to come! This challenge must cause us to resolve that the development of the western country must hew closely to all known and yet-to-be-developed precepts of the proper and wise use of the riches that nature has given to this West Coast. Our streams must continue to flow pure and undefiled; our forests must become an everlasting crop; our new industries must develop harmoniously with the countryside and the people who work in them. All this can be done; but, like all good things, it will be hard and the results frequently discouraging.

This amazing growth of the West Coast must entail useful outlets for the crafts and skills of its population and for its capital wealth. Of the total population of the western coastal states, almost one-half must have jobs if we are to have reasonably full employment. For example, in 1940 the labor force of the Pacific Coast states was well over 4 million. In 1950 it will probably be over 5 million, and in 1960 over 6 million. For Oregon and Washington this means that in 1950 there must be about 230,000 more jobs than existed in 1940, and in 1960 another increase of 170,000 jobs. The question is: Can the West Coast states provide the opportunities for capital and labor which will maintain this better life we now enjoy? No magical hocus pocus can provide the answer. Neither will wishful thinking, or abject pessimism.

By analyzing Pacific Northwest horizons I do not wish to imply that we should "leave California to the Californians." The West Coast is indivisible in its problems and their solution—and the sooner we realize this the more assured can we be of a positive answer.

What are the ratios of Pacific Northwest employment in manufacturing, extractive, and service industries? Roughly 20 per cent of the labor force has found employment in manufacturing, which includes forest products. The extractive industries of agriculture and mining have employed 20 per cent, and the service industries have absorbed some 60 per cent of the total labor force. Of late there has been a definite shift in these categories to what might be considered a more balanced division, with greater emphasis on heavy industry and manufacturing. The reasons for this shift are numerous. There has been a gradual slowing down of the expansion of outside markets for agricultural and lumber products. The growth of artificial trade barriers such as tariffs and exchange controls has further curtailed markets for raw materials, and has thus increased the urgency for the development of a greater variety of economi activity. These have been negative influences.

On the positive side of the ledger, the huge Federal construction program on the Columbia River has provided many new jobs, both directly and indirectly. The availability of large quantities of low-cost electric power from the Federal power network has been the principal reason for the establishment of various types of industries relatively new to the Pacific Northwest. Finally, the war-industry program, which tripled the number of persons engaged in manufacturing activity, introduced a wide variety of new skills and business undertakings. It also demonstrated the efficiency of our labor force.

If the population of the Pacific Northwest coastal states in 1950 reaches the estimated 3.4 million level, the equivalent labor force will be 1.4 million—a net increase of around 230,000 new workers who did not exist in 1940. In 1960, if the population of the two Northwest states approaches the 4 million mark, the labor force will reach a level of over 1.5 million—an increase of some 400,000 workers over 1940. If we assume that the manufacturing, extractive, and service industries will absorb roughly the same proportion of workers as in 1940, 80,000 new manufacturing jobs will have to be created in this region by 1960. The necessary capital investment required for plants will mount into the billions of dollars. Approximately the same number will need to find employment in the extractive industries—mining and agriculture—and the service industries will need to provide some 240,000 jobs which did not exist in 1940. These are rather staggering figures of new employment which this region must develop. For example, 80,000 industrial jobs would be equivalent to the total industrial labor force of such a highly industrialized section as the Buffalo, New York area. In plain words, the Pacific Northwest must expand and diversify its manufactures; it must increase and diversify its attractive industries; and it must stretch to the limit the expanding diversification of its service industries.

Now let us analyze each of these categories and see whether this region has grounds for expecting that its assets will furnish the required employment and whether the liabilities which face such activity can be overcome.

Service Industries. In our national economy it is clearly evident that service industries are becoming more and more important to our economic life. The same is true in the Pacific Northwest. As manufacturing and extractive industries expand and diversify, service-industry requirements will automatically expand and diversify. However, it seems to me that a conscious effort must be made to develop the service industries even beyond the level which normally would occur.

Perhaps I tend to exaggerate the importance of our recreational assets, but it is my firm belief that the Pacific Northwest states have not as yet come to the fullest realization of the tremendous assets they possess in the form of scenic and recreational values. Canada is a wonderful example of the aggressive promotion of service industries in recreation. Look at any of our sportsmen's and travel magazines and see the pages upon pages of potent advertising, extolling the virtues of the Ca-

nadian wilderness, its lakes, its mountains, and its streams. Compare these many pages of advertising with the lonesome few items referring to the recreational facilities of our own Pacific Northwest. It is true that state development agencies and chambers of commerce are doing a good job in trying to stimulate interest in our recreational facilities, but I do not think that the citizens of the area have as yet either measured or approached the realization of the opportunity that exists. To what extent, for example, have we studied the full characteristics of our scenic resources? To what extent are we planning programs of trails and roads to reach scenic areas? To what extent are we stimulating the design and establishment of first-class tourist accommodations? And to what extent have we attempted to stimulate the promotion of capital groups for the handling of our recreational facilities on a mass basis? Is there not room for several strings of tourist facilities in the Northwest, ranging from modest hostels for students—where suitable accommodations may be obtained at nominal fees—to the more palatial type of development exemplified in Sun Valley Lodge? To be sure, we have Timberline Lodge in Oregon. Is that enough? I think not.

Recreation is a field of development and promotion where an imaginative and fresh approach will furnish innumerable jobs, not only for resort operators but for manufacturers of equipment for the sports and other recreational activities which would become available with proper development. The overall problem of utilizing our recreational resources properly and advantageously is a complex one, which will necessitate not only a business approach but also a scrutiny of existing laws and needed legislation to insure the proper utilization of what, after all, is the people's heritage. I cannot say how many jobs would be furnished in the service-industry category by the full development of our recreational facilities, but I venture to say they would far exceed those which exist today. This is a challenging field to the returned veterans and to the students of our universities and colleges.

Extractive Industries. Eighty thousand jobs in the extractive industries is a large figure to contemplate. The growth of chemical and metallurgical industries will create substantial demands for mining-development work. We must look, however, to the field of agricultural development for some of the answers. Of the 250 million acres of land in the four states of Oregon, Washington, Idaho, and Montana, only some 7 to 8 per cent has been devoted to agriculture. Because of climatic and physiographic characteristics, such additions to these agricultural areas as can be made will depend almost entirely on the development of irrigation. Today almost 4.5 million acres are being irrigated in the four Pacific Northwest states. Probably another 3.5 million acres could be added. The Columbia Basin irrigation project, which is definitely planned, will provide something over 1 million acres of new land. This would provide large employment in all categories of activity. In addition, however, the availability of power at low cost for sprinkler irrigation will make it possible in many areas of the Pacific Northwest to decrease the size of their farms, to diversify production, and thereby provide new opportunities for the Northwest population. As new farms result from irrigation development, there will also be increasing demands for manufactured equipment and service.

Of course, there are those who raise questions concerning "overproduction" of agricultural products. They do not seem to appreciate the fact that most of the crops grown on irrigated lands do not usually come in the categories susceptible to surpluses, such as wheat and cotton. There are also developments—some warborn and some already in the laboratories before the war—which provide further answers to agricultural surplus problems. New methods of food treatment, preservation, and utilization have been developed which provide for expanding markets both in quantity and—what is probably more important—in time element. The farmer is no longer restricted to the markets available at the exact moment his crops ripen. Canning, dehydration, quick freezing, and other types of modern processing permit the farmer to spread his distribution over the year. Research in our chemical laboratories, both private and public, is constantly developing industrial products from agricultural materials which will help greatly in overcoming the spasmodic occurrences of local surpluses. What goes for surpluses goes for waste. We have learned of new ways to utilize agricultural wastes. However, the economic problems of waste treatment continue to be annoying. The techniques of treatment in large measure have surpassed our ability to understand the economics of waste collection and, perhaps, the psychology of waste availability.

One item, however, which seems to be sadly understressed in all discussions on the subject is the element of packaging and imaginative marketing. It is my observation that the art of marketing is not well understood as yet in the Pacific Northwest, except in some isolated instances. Those who thought up the "Fruit of the Month" Club hit upon a brilliant idea, and our friends down Medford way have done a superb job in advertising the juicy pears of that area. But what are we doing with the wonderful berries of Clackamas County, or the luscious cherries of our mid-Willamette Valley? What have we done to advertise and merchandise our smoked salmon and the various fish pastes which can be made from even less noble species? To what extent have we looked into the marketing of artificially propagated trout? In short, to what extent are we trying to market Oregon, Washington, Montana, and Idaho products as such?

Packaging of foods is in its infancy. It is obvious that an attractive package—if it does not bear an exorbitant price—will sell much more quickly than a product which is merely wrapped and dumped on the counter. What are we doing about the manufacture of handsome containers for our local food products, whether they be of selected beautiful woods of the region, or ceramic products, or plastics, or even light-metal products?

A great deal of mustard seed is grown in the Pacific Northwest. What are we doing about making our own mustards and condiments instead of shipping the raw material to Chicago and points east? The last time I was in France I brought back with me delicious mustard in

various flavors. To snare my dollar away, the producer—who incidentally dated back to the times of Louis XIV—packaged his mustard in lovely hand-painted and hand-created pottery, enclosed in a nest of well-carved plain wood. Why can't we do the same? We certainly have the raw materials; we certainly must have the artists capable of designing such packages. What we need is to get down to the job.

I mention this somewhat insignificant example because I am convinced that some bright young people are suddenly going to take hold of many such packaging opportunities and provide for themselves and their associates an interesting and good living. In short, merchandising and packaging should reflect the unique beauties of our Northwest country, translating them in some way into unique containers and unique wrappers. The end product will sell at a considerably higher price in some of our own markets as well as those of the Middle West and East.

Manufacturing. The field of manufacturing, which, as I have indicated, should provide by 1960 some 80,000 jobs which did not exist in this region in 1940, is one of course in which all of us are greatly interested. Much has been said about the colonial status of the Pacific Northwest. I feel confident that this region is emerging from that status. The breaking away from colonial status is a slow, arduous process; it will not be accomplished in a year, nor a decade. The fact that new electro industries have come to the Pacific Northwest is the first very definite indication that this region is on the way to diversification of economic activity and consequent breaking away from old "strangle holds."

The first step in the development of a desirable degree of regional independence is the building up of those basic industries which provide the raw materials for manufacture. Our huge supplies of low-cost hydroelectricty are making this step a reality, particularly by helping us to overcome certain basic deficiencies, such as fuel. Since the war, after an amazingly short period of slump, the light-metals industry definitely looks as though it were here to stay and to expand. It still lacks the rudiments of a rounded-out structure; but it is reasonable to expect that during the next five or ten years both alumina and fabricating plants will become established in the Pacific Northwest. In this respect the most significant development which has occurred since V-J Day is that the aluminum industry is now on a competitive basis after having been, for the fifty years of its existence, under the domination of a single company. The result is fabulous. The markets for aluminum in prewar years were restricted to some 300 million pounds a year; they are now zooming upward to the billion-pound level. During the past few years the automotive industry has used some 8 pounds of aluminum per automobile; there is now discussion of all-aluminum cars weighing in the neighborhood of 1,200 pounds and more. Railroad-equipment people are no longer looking with disdain on aluminum and magnesium; they are beginning to use these materials in quantities amounting to tons per railroad car. The housing field similarly seems to be well on the way to being a primary absorber of aluminum for roofs, fo window casings, for structural parts and fittings.

The Northwest must share a major part in these new light-metals markets, not only because it possesses mo than one-third of the total productive capacity of the United States in its plants, but also because plain economics will ultimately make it necessary for the pig ingots we produce to be manufactured locally into useful shapes and articles. I know already of many tons of the metal being used locally for the production of entirely new articles, from lowly identification tags for the young trees of our orchards to intricate shapes and parts for the transportation industry. I think it is reasonable to say that light-metals utilization is no longer a field for the select few but is now open to anyone who has the ingenuity and ability to make use of the peculiar properties of these metals.

Iron and steel, so vital to the economic development of the area, also can be expected to become more and more available for use in the western states. The problem is perhaps not so well resolved at the moment as it is in the light-metals field, but the time is drawing near when we will have western steel for western uses at western prices—no longer under the dictation of absentee controls located in Pittsburgh and vicinity.

In our own Northwest much work is now under way, both publicly and privately, on the utilization of local ferrous materials. For example, there is current interest in the state of Washington in the electric smelting of certain complex iron-nickel-chrome ores for the production of stainless steel. In Oregon, the Aluminum Company of America, following the discovery of the deposit by the Oregon State Department of Geology and Mineral Industries, is actively exploring the feasibility of commercial use of large quantities of laterite ore located near Portland. This ore is thought to offer a promising opportunity for the electro production of alumina, and of large quantities of pig iron. Although iron and steel products for the Pacific Northwest will primarily originate from western steel plants such as those at Fontana, California and Geneva and Provo, Utah, our own sources of ores may open the way for the production of specialty iron and steel products. The critical need for cast-iron soil pipe and fittings provides an opportunity which I am confident will be seized soon by enterprising businessmen of the region. Similarly, specialty alloy and tool steels, produced through the medium of electric-furnace smelting as it is practiced in Scandinavia, are bound to be developed in the Pacific Northwest. Although the Northwest does not abound in ferroalloy materials such as chrome, manganese, and tungsten, the ores which are known to exist in the region, supplemented by necessary imports from Pacific Basin countries such as Alaska, the Philippines, and China, can furnish the base for the production not only of alloy steels but of the pure metals themselves. There is an urgent need for high-temperature alloys for the production of gas turbines and jet-propulsion engines, which may open up an entirely new field for the utilization of Pacific Northwest materials and electric power.

In the field of nonferrous metals such as copper, lead,

and zinc, exhaustion of ores elsewhere in the nation is forcing producers to explore more diligently the potentials which exist in Idaho, Montana, and Washington. We know that both Idaho and Washington—particularly the latter—have the reserves of ores so desperately needed by the lead and zinc industry. In copper the trend continues to be toward the utilization of lower-percentage ores. Certain large interests are actively exploring deposits which heretofore were thought to be of minor importance. Considerable interest is also being shown by various companies in the possible expansion of electrolytic refining plants in our region.

Expansion in the manufacture of basic chemicals is already under way. Many years ago, because of low-cost power, electrolytic chlorine and caustic plants were established in the Puget Sound area. That industry is expanding at a rapid rate and—strangely enough—the by-product, caustic soda, which is a drug on the market elsewhere in the nation, is an item which the West Coast is consuming in ever-greater quantities. The establishment in the Pacific Northwest of a rayon plant would create a very great demand for caustics. Until the war years, calcium carbide was produced only in the East. Now two moderate-sized electro plants are located in Portland. This is very important because acetylene—the principal product to be derived when water is added to calcium carbide—is both father and mother of an extremely long list of chemical derivatives. Let me illustrate: chlorine and acetylene (both electro products), when brought together under auspicious circumstances, provide a whole range of chlorethylene chemicals important to our daily life, such as those needed for the production of DDT and similar products. Acetylene is also the foundation for an acetic-acid industry, which underlies cellulose-acetate plastics. Plans are under way for the production of both these chlorethylene and acetic-acid products in the Pacific Northwest. This is a significant milestone in the development of the region; many technicians believe that the United States has made only a beginning in the use of acetylene derivatives.

For years it has been known that there are immense reserves of phosphate rock in Montana and Idaho. Some minor use of these deposits has been made in the production of phosphate fertilizers. However, it is only within the last few years that economists, technicians, and industrialists have approached an understanding of the full magnitude of the possibilities of these tremendous reserves of ore along with a tremendous reserve of hydro-electricity. The Idaho and Montana deposits can provide enormous tonnages of fertilizers for the area of the United States west of the Mississippi. They can also provide an ample supply of such material for foreign lands desperately in need of fertilizer. But the utilization of phosphate rock does not stop at fertilizer—an entire industry can be built on phosphorus. The potentialities are fabulous: animal feed, a variety of chemicals, detergents, washing powders, soaps, etc. There, again, power is an essential ingredient, and the only thing at present which seems to be holding back the development of western phosphate rocks is the lack of availability of large quantities of extremely low-cost power in the vicinity of the mines. I am confident this situation will be remedied in the near future.

Undoubtedly there are some of you who, knowing the character of electrochemical and electrometallurgical industries, will think that all I have said is very unimpressive in so far as payrolls are concerned. It is true that these electro industries are notoriously poor direct employers of labor—low in terms of man hours of employment per kilowatt hour of consumption. But let me remind you that, without these basic materials, we can expect very little manufacturing of capital and consumers' goods in the Pacific Northwest. One cannot build a house without lumber, bricks, cement, or steel. Neither can one build automobiles or make farm implements or plastic devices without the necessary semi-finished raw materials. These we are beginning to produce in our region.

There are several obstacles, however, to the expansion of the kind of manufacturing we expect will provide the 80,000 jobs we should provide in this region in the next few years. The two most important ones, in my estimation, are first, those which tend to limit the market in which we may sell Pacific Northwest manufactured goods, and, second, the "inferiority complex" attitude which some of us take toward such development.

The case of freight rates is a matter over which much heat has been—and, I am sure, will be—developed. On the one hand, we are told that the problem does not exist and that every new manufacturing industry in this territory can be assured of adequate freight rates. On the other hand, we are told that nothing must be done to disturb freight rates as a whole because we might jeopardize the exceptionally favorable freight rates which exist on our exportable raw materials. The situation is extremely complex. What is necessary is to appraise the magnitude and characteristics of the problem and then band together for an equitable solution. As an example, let me point to the superb freight-rate investigation conducted by the TVA, which, after adaptation and adoption by southern governors, resulted in freight-rate revisions for the entire South. I would not wish to draw a broad parallel, but it seems to be inescapable that this region must face the facts as they are developed and must thereupon act in concert. In simplest terms—and I state again, the problem is not susceptible of simple definition—what is needed is a set of freight rates which will stimulate manufacturing in the Pacific Northwest, increase the volume of traffic for our common carriers, and provide them with a good profit at the end of their operating years. The Bonneville Power Administration is making a very modest study of freight rates, principally on electro products. The staff on this study is not chasing any particular bugaboos; it is not trying to prepare or present a case against—or for—anything; it is trying to find out the facts.

The handicap—and I can assure you it *is* one and is so recognized by all businessmen with whom I have talked—is that the Northwest is largely restricted to regional markets for its manufactured goods. Furthermore, even within the region, most manufacturers have difficulty competing with out-of-region producers who, for some

archaic but potent reason, can come into this territory from long distances at comparatively low freight costs. As one businessman expressed it forcefully very recently: "Any manufacturer who wishes to live out here must do so within the 10 per cent or so of the national market which may be reached from the Pacific Northwest." What he meant is that products manufactured here for national consumption must absorb overall freight costs to reach distant markets. For example, let us consider the production of 10 units of some article for which there is national demand. An eastern manufacturer would find markets close to home for nine out of ten units, shipping the remaining unit to the Pacific Coast. The freight charge absorbed on all the articles would reflect the low freight costs for nine units. On the other hand, a Pacific Northwest manufacturer, wishing to reach the national market, could only sell one unit close to home and ship the other nine units at much higher costs to national points. The average freight charge on each unit would be considerably higher. This is a problem of distance, which cannot be argued away and for which reasonable freight-rate adjustments are needed to minimize the unfortunate disadvantages of maldistribution of population.

No business has ever been started and carried on to success without an aggressive and progressive attitude on the part of its originators. We all realize that today there are innumerable obstacles to the exercising of what might be called free enterprise—material allocation, price controls, rules and regulations without end, taxation, labor difficulties, and other ills. At the same time, if we look back over other periods of history, we see that there have always been all kinds of obstacles—which did not prevent some businessmen from going ahead forthrightly with imagination to ultimate success. Those who sought refuge in a negative appraisal of the ills of the day did not progress; they passed on, and are no longer noticed. In the Pacific Northwest are many men of vision and ability. However, it is my personal impression—which I offer as an observation and not as a criticism—that frequently we are just scared to do anything else than what we did for the past "umpteen" years. The expression of a lack of self-confidence in the sharing of the inevitable growth of the Pacific Northwest is frequently in such terms as: "We had better stick to the things we know how to do." "Let us not get away from those things which the Northwest has always made and sold before." I wonder where California would be today if that spirit had existed as generally as it seems to exist in our own Northwest. The Northwest must realize that its business ability is as good if not better than elsewhere in the world. We certainly demonstrated our ability to do 'impossible" things during the war. Why not continue that trend? Perhaps it is because our opportunities are so diverse that they baffle us. We may be like a hungry man in a lush cafeteria, already having indigestion merely from looking at all the displayed food. Or perhaps it is because some of our business fraternity are interested merely in going along as they always have done—in which case I am afraid the Northwest will not progress very rapidly.

I do not know what the answer to this perplexing problem of lassitude may be. It is probably too soon after the end of the war for us to expect people to have very much energy to start out anew. At the same time, we may need an infusion of new blood, either from our young people who are not hidebound with precedent and who will "rush in where angels fear to tread," or from business ventures from other parts of the United States and perhaps from foreign countries. I am convinced that it will not take a major transfusion—that a few outstanding examples of aggressiveness will set off a chain reaction of manufacturing the like of which some of us have not even dreamed of. Just think of the opportunity! We are beginning to have a fairly complete list of basic materials for manufacturing. We have a variety of production skills which range all the way from fine machine work to the production of chemicals. We have a labor force of outstandingly high productivity which, either directly or through importation, is bringing to this region new and willing hands to do all the jobs of industry.

These assets of the West Coast are definitely creating a westward urge in practically every good production man in factories elsewhere in the United States. They are similarly creating a desire on the part of technicians and plant operators to come out here. All that is really necessary to start this chain reaction is for some of our businessmen to start off in new manufacturing, calling upon the "know how" in production and operation which is available both in and outside of the region.

We have a region with assets unique in the history of the nation—part of a West Coast that is booming. Are we going to sit idly by? I think not. It will take a great deal of courage and initiative. We have that, too. We must hit the ball hard and all together.

THE DEVELOPMENT AND USE OF FIELD WAREHOUSING

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notice to the public that he is operating the warehouse at this point.

(3) The warehouseman employs custodians to maintain exclusive and uninterrupted possession. These employees are usually men already employed by the borrower, who are merely transferred to the warehouseman's payroll.

(4) If the warehouse is a building that can be locked, the warehouseman installs his locks, giving keys to his custodians. In the case of open storage, it is often necessary to employ watchmen, depending upon the local custom already established and on the nature of the inventory involved.

After these steps have been taken, the warehouseman is prepared to issue warehouse receipts representing the inventory upon request of the owner of the inventory.

A responsible field warehouse company will carry fidelity bonds on all employees as a protection to itself and to the holders of its warehouse receipts. The company will also carry liability-insurance coverage, insuring the holder of its warehouse receipts against loss for

hich the warehouseman might be legally liable.

We have explained the need of field warehousing as a vehicle for borrowing money. However, another use of field warehousing is to make it possible for a supplier to put stocks of goods where they will be available to the purchaser when they are needed. Visualize a food processor who must purchase large quantities of supplies such as sugar and containers. In most cases, his processing is seasonal and he must produce to the utmost of his capacity during certain seasons of the year and must always have such supplies immediately available. To accumulate and pay for these supplies before his processing season would require a great deal of money. From a business standpoint, it is impractical for a supplier to carry these stocks at the warehouse of the processor on open credit. Therefore, the food processor contracts with the warehousing company to establish a field warehouse, and the supplier then ships the supplies to the warehouseman for storage, to be withdrawn as needed by the food processor. Withdrawals are made according to terms agreed upon between the supplier and the food processor. Such terms usually provide for the food processor to give the warehouseman a check made payable to the supplier for the value of the supplies of which he takes delivery.

This same arrangement is often used by wholesalers, who direct the manufacturers of items which they are wholesaling to ship and distribute the goods in the same manner. In either case, the supplier or manufacturer holding the warehouse receipt representing the merchandise stored with the warehouseman retains title to the merchandise, and has the same protection he would have if the merchandise were stored in his own warehouse or in a terminal warehouse.

In the state of Oregon and in the Northwest the food-processing industry is growing very rapidly. As mentioned before, the food processor is dealing with seasonal items. This necessitates his accumulating his entire season's pack during a short period of time and then distributing it to the trade during the course of a year, and involves tying up large amounts of capital for the purchase of the raw materials and the supplies with which the items are packed and for labor. Field warehousing makes it possible for the food processor to obtain a warehouse receipt representing the packed items, which receipt he can use at his bank as collateral for negotiating a loan which will release the capital he would otherwise have tied up in this inventory. If the food processor were confined to packing the items he could carry without borrowing, his operations would necessarily be very limited and the growth of the industry would be greatly retarded. The use of field warehousing and the banks' acceptance of such a method has made it possible for our independent food processors throughout the state to grow and to expand the industry.

Field warehousing is also contributing to the growth of the lumber industry, a major industry in our state. During normal times an inland mill must dry its lumber before shipping, in order to reduce weights. This requires that the mill carry a sizable inventory of lumber. If the mill is able to obtain warehouse receipts representing this lumber, which can be used at the bank as collateral for a loan, it is able to carry a larger inventory than would be possible without this assistance. Furthermore, the mill, in order to insure continuous operation, must accumulate logs during the favorable logging months to tide it over during the unfavorable months. This requires capital; if the mill is able to obtain warehouse receipts representing the logs stored, and to use these warehouse receipts as collateral at the bank for a loan, it is able to accumulate a larger supply of logs than would otherwise be possible. All of this leads to the expansion and growth of the industry.

We have mentioned the place of field warehousing in two major industries in the state; but the same system applies to every industry. We feel that field warehousing is still in its infancy, and that its growth, along with the growth of other industries, will be very great during the postwar years.

THE HOTEL INDUSTRY

The $5 billion hotel industry in the United States is realizing profits for the first time since the twenties. After World War I, the industry carried out a large construction program and has suffered since this period from overproduction. In many cases, the building of hotels was based less on considerations of sound financial policy than an attempt to boost a community, to improve the value of a plot of ground, or to serve as an outlet for the sale of securities.

Hotels can break even by operating at about 65 per cent capacity; this point may vary, depending upon economic factors such as service costs and plant efficiency. During the 1920s hotels had an average occupancy of 70 per cent; however, the occupancy rate dropped to 50 per cent during the depression. Recovery has been slow: the rate of occupancy did not reach the 1929 average level until 1941; and the average rate per room has never reached the 1929 average. Room occupancy continued to soar as service men and war workers with their families made increasing demands upon hotel facilities. By 1944 room occupancy had reached an all-time high of over 90 per cent. Sales, on the other hand, increased from $861,557,000 in 1939 to $1,595,736,000 in 1944, a gain of 85 per cent; the 1944 total also represented a 50 per cent increase over the 1929 peak sales volume. Estimates for 1945 indicate an occupancy rate of 95 per cent and a further sales gain of 7 per cent. Rooms have been rented double, triple, and even quadruple, a fact which accounted for an increase of 63 per cent in room revenue in 1944, although room rates were stabilized by OPA. Sales of food increased 75 per cent and sales of liquor 90 per cent.

In view of experience during the past fifteen years, the hotel entrepreneur is rather dubious of his wartime prosperity. A 90 per cent occupancy can hardly be maintained in a more normal period, and some of the profits are, in fact, false profits. A vast backlog of repairs and replacements has accumulated for lack of help and materials. A recent survey estimates that $1,441,160,000 will be needed to rehabilitate, re-equip, and modernize hotels, one-third of which comes under the heading of deferred

maintenance. Such modernization will demand additions to existing structures, furniture replacements, installation of new public rooms, enlarged engineering departments, improved guest room and housekeeping equipment, and air conditioning. The replacement of materials that have been unavailable will include such items as carpeting, sheets, pillowcases, blankets, table linens, silverware, china, and glassware.

The immediate outlook for the hotel industry is good. The corporation executive, the engineer, and the automobile traveler have joined with the salesman in the use of hotel facilities. Conventions have been postponed on because of war restrictions. More than 18,000 conventions used the hotels annually for their meetings and entertainment prior to the war. Additional revenue for the industry may be expected to come from an increased tourist travel. Persons who have previously traveled are anxious to do so again, and thousands of people who become accustomed to travel during the war are likely to desire travel in the postwar period. Although disagreements exist concerning the extent of travel, the volume will, no doubt, be increased. *Illinois Business Review.*

CURRENT BUSINESS TRENDS IN OREGON

BANK DEBITS

Bank debits represent the dollar value of the checks drawn against individual bank deposits. Approximately 90 per cent of all goods, property, and services is paid for by check. Bank debits are regarded as indicators of the general trend of business. The Bureau of Business Research collects bank debits from 92 banks and branches monthly. On occasion, the totals for the same month in different issues of the *Review* are not directly comparable because of necessary adjustment of basic data.

Marketing Districts	*Number of Banks Reporting*	*Totals Apr. 1946*	*Totals Mar. 1946*	*Totals Apr. 1945*	*Apr. 1946 compared with Mar. 1945*	*Apr. 1946 compared with Apr. 1945*
Oregon	85	$678,201,781	$675,102,674	$588,169,554	+ 0.5%	+15.3%
Portland (Portland, Hillsboro, Oregon City, etc.)	25	459,961,358	466,105,396	436,654,154	− 1.3	+ 5.3
Lower Willamette Valley (Salem, McMinnville, etc.)	8	65,292,755	56,120,561	41,859,576	+16.3	+56.0
Upper Willamette Valley (Albany, Corvallis, Eugene, etc.)	10	28,636,052	27,803,006	19,313,622	+ 3.0	+48.2
North Oregon Coast (Astoria, Tillamook, etc.)	5	14,738,389	15,133,641	11,623,827	− 2.6	+26.8
Douglas, Coos Bay	4	12,959,731	12,874,228	9,475,663	+ 0.7	+36.8
Southern Oregon (Ashland, Medford, Grants Pass)	5	25,900,836	24,915,482	16,158,422	+ 4.0	+60.3
Upper Columbia River (The Dalles, Hood River, etc.)	6	11,922,873	12,495,638	9,901,577	− 4.6	+20.4
Pendleton area	6	13,020,111	14,112,164	9,953,717	− 7.7	+30.8
Central Oregon (Bend, Prineville, Redmond)	3	7,446,339	7,059,333	5,380,988	+ 5.5	+38.4
Klamath Falls, Lakeview area	4	20,070,501	20,457,068	14,883,228	− 1.9	+34.9
Baker, La Grande area	6	11,586,975	11,869,771	8,689,819	− 2.4	+33.3
Burns, Ontario, Nyssa	3	6,665,861	6,156,386	4,274,961	+ 8.3	+52.4

BUILDING PERMITS

Building permits give an indication of building operations planned rather than actual construction under way. Care must be taken, in interpreting these data, to allow for the lag which may elapse between the issuance of the permit and the beginning of actual construction. The data have been collected by the Bureau of Business Research.

	New Residential Apr. 1946	*New Nonresidential Apr. 1946*	*Additions, Alterations and Repairs Apr. 1946*	*Totals Apr. 1946*	*Totals Mar. 1946*	*Totals Apr. 1945*
Albany	$ 40,300	$	$ 40,300	$ 80,600	$ 573,900	$ 50,770
Astoria	18,000	13,250	18,585	49,835	148,345	28,230
Baker	*	*	*	*	36,600	800
Bend	115,960	25,825	11,300	153,085	142,450	1,450
Coos Bay	26,500	12,800	2,400	41,700	48,950	16,675
Corvallis	104,650	13,700	12,440	130,790	*	25,020
Eugene	203,600	117,650	44,919	366,169	396,401	63,491
Grants Pass	91,863	42,950	6,478	141,291	70,003	18,220
Klamath Falls	89,500	10,900	26,757	127,157	225,283	*
La Grande	97,000	91,325	28,630	216,955	55,175	3,800
Medford	191,700	81,050	31,026	303,776	251,221	10,350
Oregon City	40,850	500	1,650	43,000	159,450	1,350
Pendleton	209,367	3,000	5,860	218,227	327,825	8,575
Portland	2,165,945	1,868,480	435,749	4,470,174	5,058,172	322,105
Salem	204,850	58,750	24,198	287,798	603,655	*
The Dalles	5,600	3,590	12,765	21,955	104,050	18,000
28 other communities	629,300	519,125	78,923	1,227,348	1,387,330	678,798
Totals	$4,234,985	$2,862,895	$ 781,980	$7,879,860	$9,588,810	$1,247,634

* No report.

MANUFACTURING EMPLOYMENT

(Source: San Francisco Regional Office, Bureau of Labor Statistics)

Industry	*Mar. 1946*	*Feb. 1946*	*Mar. 1945*
All manufacturing	110,300	109,500	171,100
Lumber & timber basic products	49,900	47,100	51,100
Furniture & finished lumber products	6,100	6,000	5,400
Iron and steel, & products	3,500	3,400	5,100
Transportation equipment (except autos)	12,300	13,500	71,100
Machinery, except electrical	2,900	3,000	4,400
All other durable goods	3,100	3,000	4,000
Total, durable goods	77,800	76,000	141,100
Food & kindred products	14,400	15,800	13,800
Textile-mill products	3,600	3,400	3,300
Apparel & other finished fabrics	2,600	2,500	2,100
Paper & allied products	4,900	4,900	4,300
Printing & publishing	4,300	4,200	3,900
All other nondurable goods	2,700	2,700	2,600
Total, nondurable goods	32,500	33,500	30,000

PORTLAND FOOD AND FUEL PRICE INDEXES

(Source: San Francisco Regional Office, Bureau of Labor Statistics)

Family food costs on April 15, 1946 were up 1.1 per cent since March 15, with price advances for sugar, meats, dairy products, and fresh fruits and vegetables. Gas and electricity prices were unchanged from mid-March, but higher prices for wood brought about a 0.2 per cent rise in the fuel, electricity, and ice index. Index readings for the base period, the date closest to the attack on Pearl Harbor, the end of hostilities, and April 15, 1946 are given below:

	1935-1939 Average	*Dec. 15, 1941*	*Aug. 15, 1945*	*Apr. 15, 1946*
Food, etc.	100.0	121.3	150.9	151.5
Fuel, etc.	100.0	102.9	120.6	121.4

The 121.4 reading for the fuel, electricity, and gas index reading for April 15, 1946 breaks down as follows: gas and electricity, 87.9; other fuel, 162.2.